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19 January 1956

CURRENT INTELLIGENCE WEEKLY SUMMARY



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THE WEEK IN BRIEF

PART I

OF IMMEDIATE INTEREST

SOVIET SIXTH FIVE-YEAR PLAN Page 1

The draft directives for the Soviet Sixth Five-Year Plan (1956-1960) continue to place primary stress on the growth of heavy industry. By defining the USSR's "main economic task" as surpassing the United States in per capita production, the directives project this economic policy well beyond 1960. The new plan will strengthen the USSR's military potential but precludes any rapid improvement in living standards. Overfulfillment of the Fifth Five-Year Plan (1951-55) has raised Soviet industrial output from about one fifth that of the US to over one quarter. Fulfillment of the new goals for industry, which are believed to be within Soviet capabilities, will make Soviet production nearly two fifths as large as US production in 1960. [REDACTED]

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EAST GERMANY

FORMALIZES ARMED FORCES Page 4

The formalization of East Germany's armed forces and defense ministry on 18 January makes East Germany eligible for full membership in the Soviet bloc's joint command under the Warsaw pact and removes a conspicuous flaw in East Germany's claim to sovereignty. East Germany already has substantial military forces under a functioning defense establishment, and this action merely changes the designation of these forces. No immediate large increase in strength seems to be planned. [REDACTED]

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FRENCH GOVERNMENT Page 5

The uncompromising positions of all the major French political parties will probably be maintained during the first stages of the crisis which will develop next week when Premier Faure resigns and the new assembly undertakes the search for a government. A minority Republican Front cabinet dependent on Communist support still seems likely, but the Communists may yet see more propaganda value in forcing Mendes-France to rely on the Faure-Pinay bloc.

[REDACTED]

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ARAB-ISRAELI SITUATION Page 6

Sporadic patrol skirmishes occurred on the Arab-Israeli borders last week. On the diplomatic front, the Arabs and the Israelis appeared to be marking time pending the outcome of the Syrian complaint to the UN Security Council. Israel continued to express urgency over its requests for arms from the West. [REDACTED]

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JORDAN Page 8

Isolated disturbances continue to be reported in Jordan, and new rioting may break out should the government announce that it refuses to accept Arab aid to replace the British subsidy. [REDACTED]

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PART II**NOTES AND COMMENTS**

Soviet Bloc Relations With Latin America: Premier Bulganin's offer on 16 January to establish diplomatic and economic relations with any Latin American country is the Soviet Union's most important policy statement on Latin America to date. Latin American interest in bloc markets has been stimulated by increases in Soviet bloc deliveries of industrial goods and petroleum products in return for agricultural products. [] Page 1 25X1

Yugoslav-Soviet Economic Co-operation: The increased economic and technical co-operation envisioned in the Yugoslav-Soviet accord signed in Moscow on 1 September 1955 is becoming a reality. Since mid-December, the USSR and Yugoslavia have concluded agreements on scientific and technical co-operation, on Soviet assistance in developing Yugoslav industrial enterprises, and for an increased level of trade for 1956. In addition, a draft agreement has been announced on Soviet nuclear assistance to Yugoslavia. [] Page 2 25X1

Soviet Advisers and Technicians in Afghanistan: The Afghan government has apparently decided to accept Soviet bloc economic consultants and technical personnel for projects requiring their protracted presence in Afghanistan. This may enable the USSR to exert a powerful influence over Afghan economic policy and to develop an effective network for subversion. [] Page 3 25X1

Communists Silence "Clandestine" Radio Stations: The Communists have suspended clandestine propaganda broadcasts to Greece, Japan, France and French North Africa within the past three months, probably because the broadcasting interfered with the USSR's diplomatic objectives in these areas. In addition, the Soviet leaders may have calculated that suspension of their own broadcasts would strengthen their position prior to any representation they may make to the West regarding broadcasts to the Soviet bloc. [] Page 4 25X1

Berlin Situation: East Germany and the Soviet Union have concluded an agreement providing for full control over Allied traffic to Berlin by the East German border police. East Berlin youth and party leaders reportedly met last month to plan for "more and bigger" riots in West Berlin during 1956. [] Page 5 25X1

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USSR Party Congresses: Evidence to date suggests that the 20th all-Union Communist Party Congress, scheduled for 14 February 1956, will convene as planned.

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Burma: Rangoon and Moscow both appear to be moving rapidly to carry out the USSR's agreement to assist in Burma's development. [redacted]

25X1 [redacted] Page 6

Indonesia: The opponents of the Indonesian cabinet, led by the National Party and the Communists and encouraged by President Sukarno, have succeeded in virtually isolating the moderate Masjumi which heads the cabinet. Sukarno has instigated the resignation of two Moslem parties from the government, one of which is the important Nahdlatul Ulama (NU). The NU's defection presumably spells defeat to the Masjumi's hopes that it could form an alliance with the NU and thereby be in a strong bargaining position in negotiations for a successor cabinet. [redacted]

25X1 [redacted] Page 7

New Egyptian Constitution: The Egyptian constitution as announced by Prime Minister Nasr on 16 January provides for a powerful executive and postpones decision on the extent of popular participation in the election of a legislature--national assembly--at least until next June. The president not only has power to dissolve the national assembly to be elected under laws not yet announced, but the assembly cannot amend the budget without the executive's approval.

25X1 [redacted] Page 8

North Africa: In Algeria, French military measures remain ineffective as terrorism spreads. A general insurrection is possible unless Paris initiates drastic political reforms. Meanwhile, Tunisian extremist Salah ben Youssef has declared an "open war" on the moderate government, [redacted]

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[redacted] The Spanish government declared on 13 January that it would grant self-government to Morocco while reserving Spanish rights vis-a-vis France. [redacted]

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SECRET**THE WEEK IN BRIEF**

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Greek Elections: The formation of a Popular Front on 18 January for the Greek elections gives a Communist-front party its first strong voice in Greek politics in several years. The front may offer a serious challenge to Prime Minister Karamanlis' National Radical Union (ERE) in next month's elections. A less broadly based front decisively defeated the Greek Rally in the municipal elections of November 1954.

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Cyprus: Two meetings between Cypriot archbishop Makarios and British governor Harding in the past ten days have increased the possibility of a provisional settlement of the Cyprus issue in the next few weeks. Harding has been summoned to London for urgent consultations.

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Finnish Presidential Election: Complete returns from the Finnish presidential election of 16-17 January give the Agrarian Party's candidate, Prime Minister Kekkonen, 88 electoral votes, and the Social Democratic nominee, K. A. Fagerholm, 74 out of a total of 300. Because both have far less than the 151 votes needed in the electoral college balloting on 15 February, the next few weeks will see considerable bargaining among the parties.

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PART III**PATTERNS AND PERSPECTIVES****SOUTHEAST ASIA TREATY ORGANIZATION** Page 1

With the approach of the annual meeting of the foreign ministers of SEATO's member countries in Karachi on 6 March, member and nonmember nations in the treaty area are expressing a variety of views, mostly critical, on the organization. Some hope, however, to use SEATO to get more American aid. Communist spokesmen, while ostensibly unconcerned over SEATO's present military status, seem nevertheless worried over its potential.

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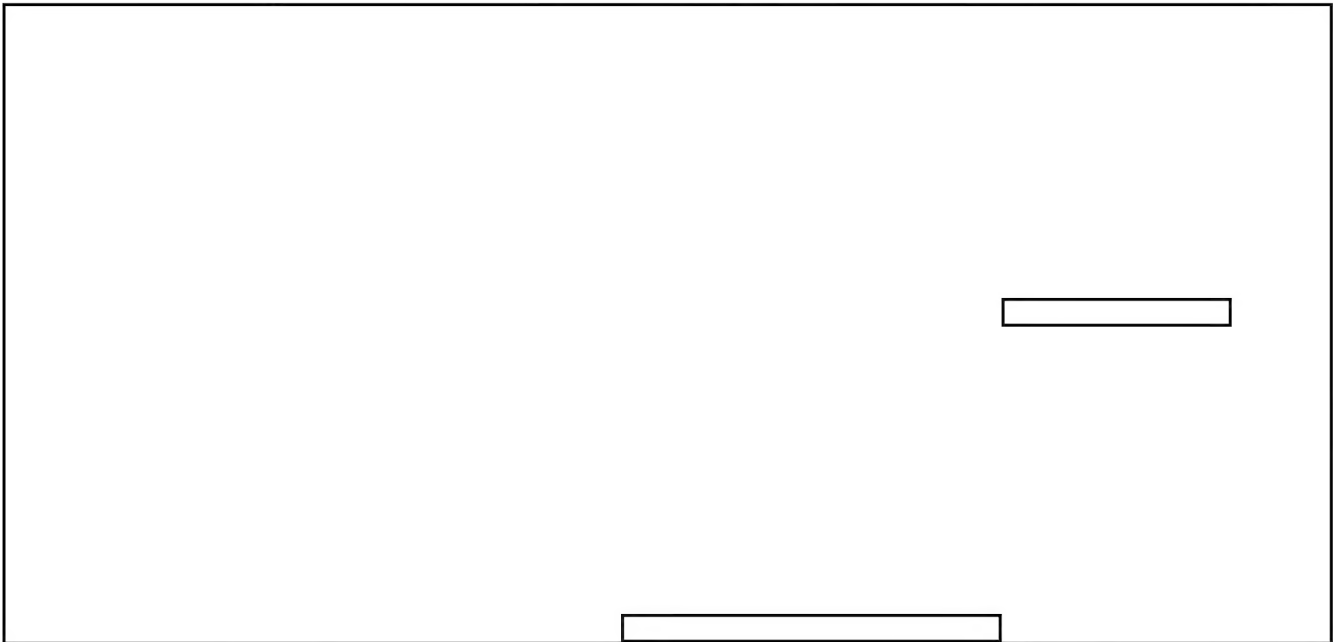
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ECONOMIC DEVELOPMENT PROGRAM IN NORTHWEST CHINA Page

Peiping's announcement on 29 December that construction will begin in 1956 on a 930-mile railroad from Lanchou to Tsinghai adds new emphasis to the Chinese oil and mineral-ogical development program initiated on a large scale during 1955. Permanent settlement of the remote western province's Tsaidam Basin by thousands of Chinese, who will outnumber the indigenous population, has already begun. The development of this province and concurrent Chinese expansion of influence in neighboring Tibet has increasingly important strategic implications. 

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PART I

OF IMMEDIATE INTEREST

SOVIET SIXTH FIVE-YEAR PLAN

The draft directives for the Soviet Sixth Five-Year Plan (1956-60) which will be presented to the 20th Party Congress continue to place primary stress on the growth of heavy industry. By defining the USSR's "main economic task" as surpassing the United States in per capita production, the directives project this economic policy well beyond 1960. The new plan will strengthen the USSR's military potential but precludes any rapid improvement in living standards.

Overfulfillment of the Fifth Five-Year Plan (1951-55) has raised Soviet industrial output from about one fifth that of the US to over one quarter. Fulfillment of the new goals for industry, which are believed to be within Soviet capabilities, will make Soviet production nearly two fifths as large as US production in 1960.

Heavy Industry

The Sixth Five-Year Plan, like all past plans, grants clear priority to the growth of heavy industry. A recent issue of Kommunist, the official ideological journal, reaffirms this policy in a statement attacking "right-wing revisionist babblings of certain economists concerning the possibility ... of fixing identical or even faster rates of development for light industry."

The new plan calls for an increase in gross output for heavy industry of 70 percent over 1955, compared with 60 percent for light industry.

Actual achievements in 1951-55 were 91 and 76 percent respectively. Output of the machinery industries is to continue to increase faster than the output of heavy industry as a whole, while basic metallurgy will grow at a somewhat slower rate. Production of locomotives, rolling stock, trucks, tractors and machine tools is planned to increase much more rapidly in the 1956-60 period than in the past five years.

Energy Sector

The energy sector of the economy--coal, oil, natural gas, and electric power--also will grow at a more rapid rate than in 1951-55. The energy program will include a highly ambitious attempt to construct nuclear power plants with a total capacity of 2,000,000 to 2,500,000 kilowatts. This objective will require the highest priority if it is to be achieved. Current British plans call for nuclear power plants with a total capacity of approximately 1,500,000 to 2,000,000 kilowatts by about 1964. The US plans to have 800,000 kilowatts of nuclear capacity by 1960.

Labor Productivity

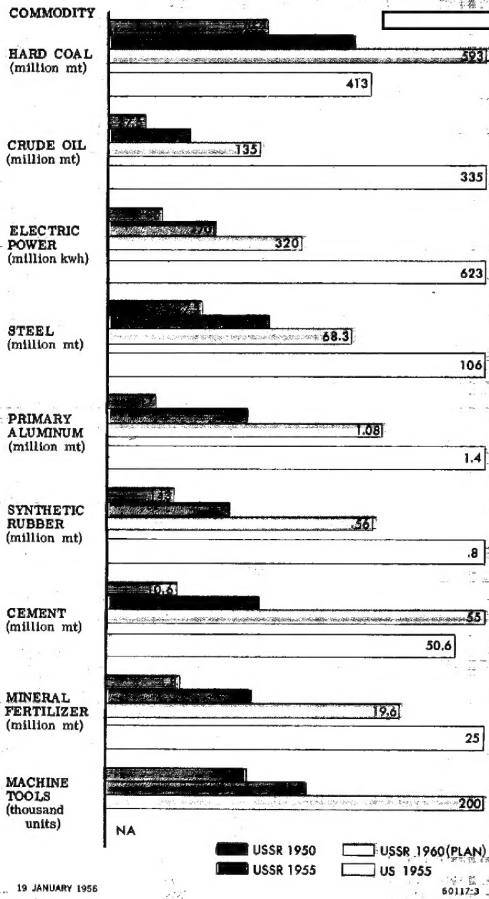
Success in fulfilling the plan for heavy industry will depend primarily on ability to achieve the planned 50-percent increase in labor productivity. Additions to the industrial labor force in 1956-60 are expected to be substantially smaller than during the past five years. Productivity increases will depend largely on

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COMPARATIVE PRODUCTION OF INDUSTRIAL COMMODITIES US-USSR



how successful industry is in modernizing and re-equipping plants, in increasing the technical skills of labor, and in introducing additional incentives.

Soviet planners appear to be relying heavily--perhaps unrealistically--on the role of technology and automation in raising productivity. Fulfillment of the plan for heavy industry may therefore require larger additions to the labor force than currently planned.

This recurring problem has been met in the past by drawing labor from agriculture, a solution which may not be possible in the coming period.

Investments

In order to finance the new plant and equipment, capital investments are planned at 990 billion rubles (in 1955 prices), a 67-percent increase over the previous five-year period. Heavy industry will receive an estimated 60 percent of the total investment, approximately the same percentage as during 1951-55. The new investment program as a whole will limit the growth of consumption slightly more than did the last.

Implications for Defense

Continued emphasis on the development of heavy industry and increased concern with improved technology will substantially increase the USSR's ability to support current and potential defense programs. The sectors of industry highly critical in the production of military end-items, particularly of complex modern weapons including guided missiles, are to be developed almost four times as rapidly as industrial output as a whole. These sectors include (a) instruments for automation, to be increased 3.5 times; (b) control and automatic regulating instruments, 4 times; (c) optical instruments, 3 times; (d) radio measuring instruments, 3 times; and (e) capacity for producing heat-resistant alloys, 6 times.

Light Industry, Agriculture

There will be a gradual improvement in Soviet living

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standards, but many targets for light industry and agriculture will not be met. Real income is planned to grow at a slower rate than in the last five years.

The agricultural plan calls for early completion of the first phase of the "new lands" and corn programs. Acreage expansion will slow down sharply after 1956 and attention will turn to increasing yields. This is to be accomplished by increased supplies of mineral fertilizer, greater mechanization to reduce harvest losses, more rational planning than was possible under the rigid Stalinist system, and closer political control of the farm collectives. The targets based on these measures--an 80-percent increase in grain production, even greater increases in the production of meat, potatoes, vegetables, milk, and eggs--appear to be as unrealistic as earlier agricultural goals. Total farm output, however, will probably grow somewhat more than in the past five years.

Collective Farms

Policy toward the collective farmer is mixed. Collective farms are urged to provide him with fodder for his private livestock, but new state farms will be organized in suburban areas to compete with him for the lucrative urban markets. The planned increase in rural incomes is lower than that claimed for the 1951-55 period.

Lags in agriculture will continue to hamper the growth of light industry, as

the directives admit has been the case in the past. Basic consumer industries heavily dependent upon agriculture, such as processed foods, textiles, and shoes, are scheduled to grow at rates far below those planned for industries producing items considered luxuries in the USSR, such as washing machines and refrigerators.

An ambitious plan to double state housing construction, if fulfilled, will increase urban housing space per person from four square meters in 1955 to five square meters in 1960.

Education

The new plan emphasizes the importance of progress in basic education to development of the economy.

By 1960, ten-year education is to become virtually universal. In the training of specialists, which the USSR is already turning out in great numbers, the plan calls for further acceleration. A 50-percent increase is scheduled against a 30- to 35-percent gain in the old plan. Heavy industry, construction, and transport will, as always, be favored in the distribution of specialists, while agriculture, which received priority in this field in 1954, retains it in the new plan. (Prepared by ORR. Concurred in by OSI)

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COMPARATIVE PRODUCTION OF CONSUMER GOODS
US-USSR

COMMODITY	1955 US	1955 USSR	1960 GOAL USSR	ABSOLUTE GAIN 5th 5-YEAR PLAN	ABSOLUTE GAIN 6th 5-YEAR PLAN
LEATHER SHOES (million pairs)	575	297	455	87	158
COTTON FABRICS (billion linear meters)	9.1	5.9	7.3	2.0	1.4
WOOLEN FABRICS (million linear meters)	285	250	363	92	113
WASHING MACHINES (thousand units)	4240	87	528	87	441

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**EAST GERMANY
FORMALIZES ARMED FORCES**

The legal formalization of the East German "people's army" and defense ministry by the Volkskammer (parliament) on 18 January makes East Germany eligible for full membership in the Soviet bloc's joint command under the Warsaw pact. This step removes a conspicuous flaw in East Germany's claim to sovereignty, a defect which had been an obvious source of embarrassment to the regime.

Deputy Premier Stoph announced to the Volkskammer that conscription was "not necessary at the present time." This announcement suggests that East Germany will defer a draft until, or sometime after, West Germany institutes conscription. Bonn is not expected to make such a move until the summer of 1957 at the earliest, and may delay the step until after the elections in the fall of 1957.

The announcement of an East German draft at any time, however, is likely to spur men of military age to flee to the West in even greater numbers than last summer, unless the government is willing to intensify existing strict security controls on access to West Berlin and West Germany. Even the clear threat of eventual conscription is likely to stimulate an increased exodus to the West.

East Germany already has substantial military forces

**EAST GERMAN ARMED FORCES
JANUARY 1956**

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ARMY			
Personnel	100,000	Divisions	7
NAVY			
Personnel	11,000	Naval Vessels	93 (minor)
AIR			
Personnel	7,000	Aircraft	105
SECURITY FORCES			
Interior Troops	10,000		
Border Police	30,000		

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under a functioning defense establishment, and the formalization is mainly a change in designation of these forces. No immediate rapid increase in strength seems to be planned.

These armed forces, loosely disguised as Garrisoned People's Police (KVP), Sea Police, and Aero Clubs, have a combined strength estimated at approximately 118,000 men. The Sea Police and Aero Clubs are very small, accounting for only 18,000 of this total. Although enlistment in these military forces has been voluntary, harsh recruiting measures have been necessary to maintain their strength.

The KVP now has two corps, and there are indications that a third corps to be organized around an independent mechanized division at Potsdam is in the planning stage. A report that 100 T34/85 medium tanks were handed over to a KVP tank regiment at Oranienburg indicates that equipment may already be

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arriving for the planned third corps.

There is also some evidence that East Germany is setting up a system of reserves which would put men discharged after service in the available cadres when conscription is imposed.

No strong reaction to East Germany's move is likely in West Germany, where the formalization of the East

German military establishment has long been expected. The West Germans, however, will regard this step as deepening the division of Germany and affording additional evidence that Moscow will not alter its stand on unification. They will probably disregard East German premier Grotewohl's invitation to hold talks on reducing foreign military forces in Germany and promoting a European security pact.

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FRENCH GOVERNMENT

The uncompromising positions of all the major French political parties will probably be maintained during the first stages of the crisis which will develop next week when Premier Faure resigns and the new assembly undertakes the search for a government. A minority Republican Front cabinet dependent on Communist support still seems likely, but the Communists may yet see more propaganda value in forcing Mendes-France to rely on the Faure-Pinay bloc.

The election of the assembly president should also provide the first indication of political alignments in the new assembly. After the first ballot, which is usually scattered among favorite son candidacies, the lines of division between the Mendes-France and Faure factions will be clarified. A Republican Front

candidate is the most likely choice, but reluctance to accept Communist support may lead the Republican Front to vote for the incumbent, Pierre Schneiter, a member of the Popular Republican Party (MRP) who is universally respected for his impartiality.

The gap appears to be widening between the forces of Republican Front leaders Guy Mollet and Pierre Mendes-France on the one hand and those of Premier Faure and Foreign Minister Pinay on the other. The Republican Front continues to reject an alliance of the center, and now seems ready to depend on the Communists if enough support is not forthcoming from the right-center.

At the Socialist congress on 15 January, Mollet indicated

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that the Republican Front would accept Communist or any other votes but would make no "deals" to get them. The congress reaffirmed its insistence on a minority Republican Front government with no concessions to left or to right. The executive committee of Mendes-France's Radicals did likewise on 16 January.

The Communists have been pressing for a full share in the government, but they would probably be glad to settle for participation in a popular front without actual control of any ministerial posts. At the Communist Party's central committee meeting on 18 January, Communist leader Duclos is reported, however, to have castigated the Republican Front for its refusal to make a "deal." It is possible that the Communists will refuse to support the Republican Front.

If the Communists are to be excluded from any voice in government policy, a rapprochement between the Socialists and the Popular Republicans is essential, but the strong public

statements of both groups make it unlikely at present. Leaders of the right-center bloc are reported ready to tolerate a minority Republican Front government. Their reluctance to vote for a Republican Front may give the Communists an opportunity to proffer unsolicited support for a Republican Front government and thereby claim that a popular front has in fact been formed.

The search for a new government may be prolonged, and the press is already pointing out that such a development, in the face of the rapidly deteriorating North African situation and the growing trend toward antiparlamentarianism, could benefit only the Communists and the Poujadists.

The Poujade movement may not yet have attained its peak. Poujade plans to run candidates in Algeria when the postponed assembly elections are finally held there, and the American embassy in Paris comments that the movement's fascist tendencies may be accentuated as its influence grows.

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ARAB-ISRAELI SITUATION

Sporadic patrol skirmishes occurred on the Arab-Israeli borders last week. On the diplomatic front, the Arabs and

the Israelis appeared to be marking time pending the outcome of Syria's complaint to the UN Security Council. Israel

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continued to express urgency over its requests for arms from the West.

The American embassy in Tel Aviv believes top Israeli leaders will place considerable reliance on a memorandum prepared by British Laborite member of parliament Richard Crossman concerning Egyptian prime minister Nasr's attitude. According to this memorandum, portions of which were shown to the embassy staff, Nasr told Crossman last November that Egypt's arms deal with the Soviet bloc, by strengthening Egypt's position, had made the danger of war more remote and increased the possibility of peace talks. In Nasr's view, only Britain could act as mediator between the Arabs and Israelis, although he agreed with Crossman that there could be no final settlement without Soviet participation.

On the whole, Nasr's ideas as cited in the memorandum are a logical extension of those he has expressed to Western sources in the past. Nasr justified the arms deal, for example, with the argument that he could negotiate with Israel only from a position of strength, and Egyptian propaganda hailed British prime minister Eden's reference to the UN 1947 resolutions on Palestine in his speech last November as the first instance of a Western power offering a

realistic basis for a settlement.

Nasr's reference to the necessity of Soviet participation in a final settlement may reflect merely an opinion that the USSR would probably claim the right to be consulted in the settlement of a problem in which big-power guarantees will almost certainly play a role. It is also possible, however, that Nasr envisages calling for Soviet support of his long-held view that the West is biased in favor of Israel.

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The Israeli "preparedness" program drawn up by Prime Minister Ben-Gurion, calling for near-wartime austerity, seems primarily to be a move to counter domestic critics who have charged that the government has been "criminally negligent" in civil defense preparations.

Commencement of the program coincided with the publication of an emergency committee report alerting the country to the possibility of war. The two together should serve to help counter inflationary pressures which threaten Israel's shaky economy.

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JORDAN

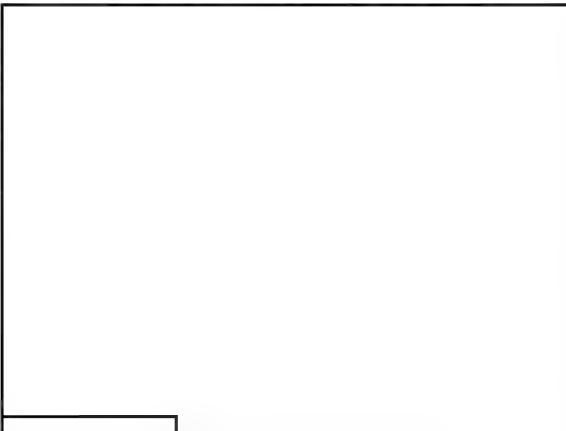
Isolated disturbances continue to be reported in Jordan, and new rioting may break out should the government announce that it refuses to accept Arab aid to replace the British subsidy.

Communists and other troublemakers are still active, particularly among the Palestine refugees in West Jordan. However, the property damage and other financial losses resulting from the riots seem to have brought more responsible elements, even among the groups opposing the Baghdad pact, to the view that new outbreaks should be discouraged.

Jordan's new cabinet appears to have been received favorably in Cairo, for the Egyptian radio on 12 January asserted that Jordan's government and people were at last united in opposition to "imperialist" pacts. The Damascus radio, however, has continued to snipe at the Jordanian government.

King Hussain is attempting to stall on a reply to the

Egyptian-Syrian-Saudi offer to substitute "Arab" financial support for the subsidy now given Jordan by Britain. The Jordanian foreign minister has countered with the suggestion that Lebanon and Iraq be included in the group of states making the offer.



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the relative calm in Jordan may be only temporary. The question of new parliamentary elections--the issue which ostensibly set off the latest series of riots--has not been settled, and the American embassy in Amman reported on 13 January, "We are not out of the woods yet." [redacted]

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PART II

NOTES AND COMMENTS

Soviet Bloc Relations With Latin America

Premier Bulganin's offer on 16 January to establish diplomatic and economic relations with any Latin American country is the Soviet Union's most important policy statement on Latin America to date. Hungary, taking its cue from the Kremlin, publicly announced its desire to increase diplomatic and trade relations with Latin America on 18 January. This appears to be the forerunner of similar statements by the rest of the East European Satellites.

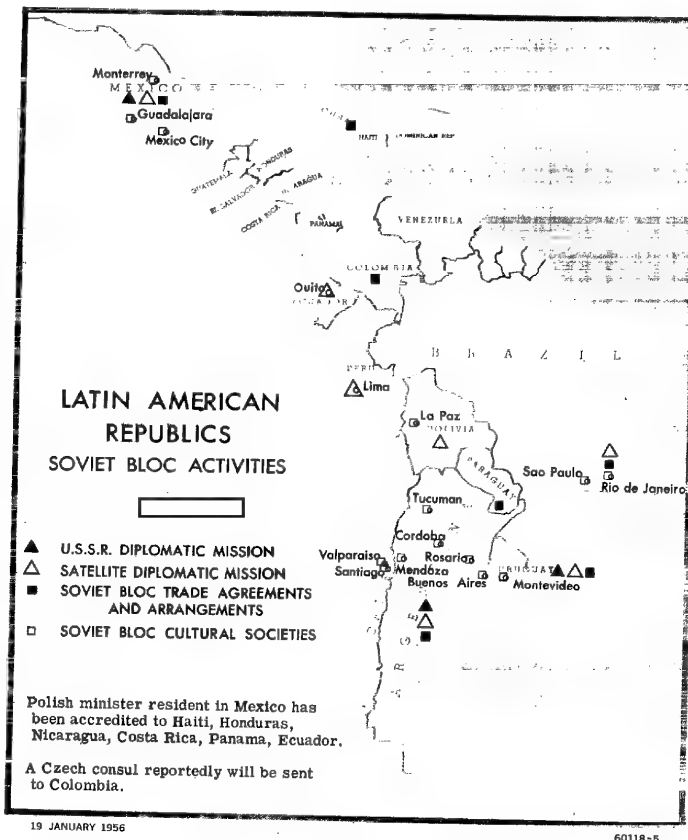
The Soviet Union has diplomatic and commercial representatives only in Argentina, Uruguay and Mexico. Thirteen of the Latin American countries maintain relations with one or more of the Satellites though there are only seven Satellite missions in the area.

Soviet bloc attention to Latin America has been increasing over the past three years. Diplomatic missions have been expanded, and the USSR has launched a strong cultural offensive. Soviet bloc trade with Latin America quadrupled in 1954 over 1953, amounting to about \$250,000,000. On the basis of preliminary estimates, trade in 1955 has increased slightly over 1954.

Soviet trade offers to Latin

America have been tailored to local situations. An increase in Soviet bloc deliveries of industrial goods and petroleum products in return for agricultural products appears to be stimulating greater Latin American interest in bloc markets. Uruguay, for example, while denying any intention of diplomatic rapprochement with the bloc, has recently increased trade contracts with Poland, East Germany, and Communist China.

Ambassador Bohlen comments that the USSR may be expected to make good on Bulganin's offer



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if there are any takers in Latin America, particularly where the program is limited to certain types of equipment, technical assistance, and "exchange of experience." He notes that the offer includes items in short supply in the Soviet Union, such as timber products and cellulose paper products, and items of high priority in the Soviet internal economy, such as rolled steel, cement, and paint.

Last month the Soviet ambassador and first secretary

in Mexico visited Ecuador and Peru, their first trip through Latin America outside of Mexico. Conferring with Ecuadoran officials, the diplomats offered to establish diplomatic relations, which President Velasco believed "unnecessary."

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(Concurred in by
ORR)

Yugoslav-Soviet Economic Co-operation

The increased economic and technical co-operation envisioned in the Yugoslav-Soviet accord signed in Moscow on 1 September 1955 is becoming a reality.

An agreement on scientific-technical co-operation was signed in Belgrade on 19 December providing for the establishment of a joint commission to promote mutual scientific and technical co-operation and for the exchange of experts and students.

A trade agreement for 1956 was signed on 6 January. It provides for an exchange of at least \$35,000,000 worth of goods each way, nearly double the 1955 exchange. The commodities listed are primarily raw materials, as in 1955. Approximately 12 percent of Yugoslav trade in 1956 will be committed to the USSR, as compared to 18 percent in

1947, the last full trading year before Tito's expulsion from the Cominform. Trade data through October, however, showed that Yugoslav-Soviet trade in 1954 and 1955 had reached only about 45 percent of the planned goals.

On 13 January the USSR agreed to construct and equip two artificial fertilizer plants for Yugoslavia by 1959 and to rehabilitate three small mines. A thermoelectric power station of 100,000-kilowatt capacity is scheduled to be built in addition to a nitrogen fertilizer factory with an annual capacity of 100,000 tons of ammonia and a factory with a capacity of 250,000 tons of superphosphate and 120,000 tons of sulfuric acid per year. Funds for the fertilizer complexes presumably will come from the 2-percent \$120,000,000 credit for agricultural investment

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On 3 January it was announced in Moscow that a draft agreement had been prepared on nuclear co-operation. According to the communiqué, the Soviet Union will aid Yugoslavia in the construction and equipping of an experimental atomic reactor, for which it will provide fissionable materials. The American embassy in Belgrade believes that the signing of the accord is being delayed as a "bargaining counter" in Belgrade's pursuit of complementary agreements from the United States and Britain.

The Yugoslav press states that agreements regarding the

\$54,000,000 Soviet credit to Yugoslavia for raw materials and the gold or foreign exchange credit for \$30,000,000 will be signed later this month. The USSR agreed to grant these funds in ten-year credits at 2 percent.

All of these accords will be of considerable assistance to Yugoslavia in maintaining its position of economic independence between West and East. Although the increase of trade with the USSR will involve some reduction of trade with the West, the Yugoslavs have said they are anxious to continue to trade with the free world and to work closely with the inter-European economic co-operation organizations.

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Soviet Advisers and Technicians In Afghanistan

The Afghan government has apparently recently decided to admit Soviet bloc economic consultants into Afghanistan and to allow Soviet technical personnel to hold positions requiring their presence in the country for a considerable period of time. Previously Kabul has rejected the use of advisers and limited the stay of most technicians to a few months. If this policy has in fact been reversed, the USSR may soon be in a position significantly to influence Afghan economic policy and to develop an effective subversive and propaganda network.

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Afghanistan announced on 17 January that it had signed an agreement with Czechoslovakia for establishment in

Afghanistan of a Czech office to advise the government on industrial matters. This would be the first formal body of Communist advisers to be admitted into the country. [REDACTED]

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Communists Silence "Clandestine" Radio Stations

The Communists have suspended clandestine international propaganda broadcast services to Greece, Japan, France and French North Africa within the past three months, probably because the broadcasting interfered with the USSR's diplomatic objectives in these areas. In addition, the Soviet leaders may have calculated that suspension of their own broadcasts would strengthen their position prior to any representations they may make to the West regarding Radio Free Europe and other stations broadcasting to the Soviet bloc.

Communist clandestine radio activities began to shut down as world tensions diminished during 1954, and at present only two are operating--"Oggi in Italia" and Radio Espana Independiente. Suspension of these two is not unlikely.

Radio Free Greece, which has helped direct Communist activities in Greece and Greek communities in the Near East since 1947, was discontinued on 31 December 1955. Transmission schedules had been gradually reduced over a period of months, and the time formerly allotted to it was turned over on 2 January to Radio Espana Independiente. The shutdown removes a long-term irritant to the

Greeks, and may strengthen leftist claims that the USSR is sincere in its alleged policy of noninterference in internal Greek affairs, particularly with a view to the coming Greek elections.

Similar considerations probably dictated the suspension of Radio Free Japan prior to the resumption of Soviet-Japanese negotiations on 17 January. On 30 December, this Japanese Communist Party station, which has broadcast from North China, announced it had "fulfilled its mission" and would suspend its broadcasts.

Radio Free Japan had been broadcasting news of Japan since 1 May 1952, in many cases anticipating policy statements of the Japanese government by one to three days.

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Communists apparently believe overt and "legal" tactics and "popular diplomacy" have superseded clandestine radio as the best means of reaching the Japanese and dispelling their possible reservations with respect to normalizing relations with the Sino-Soviet bloc.

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Two quasi-clandestine operations sponsored by the Cominform and directed against the French government through overt transmitters in Czechoslovakia, Poland and Hungary were suspended last fall.

The Communist "Home Service" for France, which had been broadcasting two daily programs since October 1950, was stopped on 24 October. The Arabic-language program, which began regular broadcasts from Hungary to French North Africa on 1 July 1954 as "The Voice of National

Independence and Peace," was last heard on 23 October.

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Berlin Situation

East Germany and the Soviet Union have concluded an agreement providing for full control over Allied traffic to Berlin, by the East German border police, according to the 5 January issue of Neue Justiz, a periodical published by the East German Ministry of Justice. The agreement, effective 1 December, implies that East Germany has jurisdiction over American, British and French traffic through East Germany. This jurisdiction is, however, for the time being exercised in its behalf by the USSR.

The article stated that "for the Allied troops in West Berlin, nothing has materially changed in the control of traffic," implying that the three Western powers' access to Berlin would continue to be subject to Soviet control. Nevertheless, the East Germans on 14 January canceled clearance for the personal train of the chief of the American mission to Berlin, which was to travel to West Germany that night, on grounds of "improper procedure in obtaining clearance." This is the first time the Communists

have interfered with a high American official's train.

At the same time, clearances already granted for three American military trains were withdrawn. A series of telephone calls to the Soviet embassy and garrison in East Berlin brought responses that the USSR had no competence in the matter or lacked knowledge of the incident.

Though clearances were subsequently granted and trains were permitted to depart as originally scheduled, the incidents point up, as they were probably intended to do, that the Communists consider the Allied position in Berlin to rest on Soviet sufferance.

Further trouble for West Berlin is indicated by a meeting of East Berlin youth and party leaders reportedly held on 13 December to plan for "more and bigger" riots in West Berlin during 1956, using "alert groups" (armed civilian squads).

In East Berlin on 15 January, some 15,000 armed members of factory "combat groups" and

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3,000 armed members of paramilitary organizations marched in a Communist demonstration opposing "militarism and the aggressive NATO policy" and demanding the "right of workers to defend their state." The largest number of armed

"combat group" marchers previously reported was only 4,000. So far, Communist rioters in West Berlin have been unarmed, but the use of the "alert groups" in East Berlin suggests the eventual use of arms in West Berlin riots.

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USSR Party Congresses

Evidence to date suggests that the 20th All-Union Communist Party Congress, scheduled for 14 February, will convene as planned.

Party congresses and conferences are now being held in the Soviet republics and the oblasts of the Russian Republic (RSFSR). Eleven of the republics which had previously scheduled congresses for the latter part of December and early January apparently postponed them to the latter half of January. Congresses of the other four republics (the Russian Republic does not hold a congress) which were scheduled to open on 14, 17, 20, and 26 January are apparently being held on schedule, as are the

oblast conferences in the RSFSR. The republic congresses and RSFSR oblast conferences elect the delegates to the all-Union congress.

Postponement of the 11 republic congresses may have been caused by the failure of Soviet planning experts to produce the draft Sixth Five-Year Plan on schedule, since all congresses which were to be held before 14 January, the date the draft plan came out, were apparently postponed, while the others appear to be going along as scheduled. The new Five-Year Plan was discussed at the Karelo-Finnish Party Congress which opened on 14 January and will probably be discussed at the other congresses as well.

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Burma

Rangoon and Moscow both appear to be moving rapidly to carry out the USSR's agreement last month to provide economic and technical aid to Burma in exchange for rice. The Burmese appear to have accepted the Soviet offer in good faith, and the USSR may see an opportunity to make Burma a showcase for its "competitive coexistence" campaign.

In Rangoon, Minister of Industries Kyaw Nyein has disclosed that contrary to an earlier report, Burma would accept Soviet assistance in the establishment of industrial enterprises, as well as for agricultural and irrigation projects. Kyaw Nyein, who has been the most outspokenly anti-Communist Burmese leader, justified the acceptance of

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extensive Soviet aid on the ground that Burma's socialist government was politically and ideologically compelled to make its development program a success. He attacked the loan policies of the International Bank in strong terms, comparing them unfavorably with what he considered the USSR's generous offers of assistance, apparently without strings attached.

Kyaw Nyein's changed attitude toward Soviet industrial assistance will remove an important deterrent to the development of closer ties between Burma and the Sino-Soviet bloc. Soviet leaders will have a further opportunity to soften him when he and Defense Minister Ba Swe visit Moscow sometime after the Burmese parliamentary elections in April.

Both Kyaw and Ba Swe accepted invitations to visit the USSR extended by Bulganin when he was in Rangoon.

Meanwhile, a Burmese offensive against some 3,000 to 4,000 Chinese Nationalist irregulars disposed along the Thai border in the southern Shan States is scheduled to begin late this month or in early February. The Burmese are considerably better prepared than they were last year, and the Chinese may seek to avoid combat by crossing over into Laos. At any rate, the Burmese will probably gain tighter control of the border, which will make the Nationalists' resumption of the opium trade much more difficult after the campaign season ends.

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Indonesia

The Masjumi-led Indonesian cabinet reportedly has decided to accept the resignation of two Moslem parties--the Islamic League (PSII) and the Nahdlatul Ulama (NU). The resignation of the NU, now a major party as a result of the national elections in September and December, presumably spells defeat to the Masjumi's hopes that the two parties could form an alliance and thereby hold a strong bargaining position against the opposition National Party in negotiations for a successor coalition cabinet.

Whether the cabinet falls shortly or manages to stay in office until the new parliament is seated--in March or April--depends on whether the moderate Masjumi can maintain the support of its small party allies, certain of which are

highly irresponsible. The NU and PSII are expected to align themselves with the government's parliamentary opposition, thereby leaving the cabinet with a majority of only 11 votes. The defection of six votes would cause the cabinet's collapse. Parliament is now in session, and a vote of confidence can be called at any time. The National Party, which leads the opposition, on 16 January demanded the cabinet's resignation.

The defection of the NU and PSII over the issue of Indonesian-Dutch relations apparently was instigated by President Sukarno. With an eye on future cabinet negotiations, Sukarno and the National Party have been maneuvering for some time to prevent the formation of an alliance between the Masjumi and the NU. With small

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party allies largely wiped out by the elections and with the NU aligning itself with the National Party, the isolation of the Masjumi appears to be accomplished.

The Masjumi, which is actually a political federation rather than a unified party, is further weakened by internal disunity. It reportedly now faces possible withdrawal of its largest member organization--the Muhammadiyah--and the latter's formation of a new federation with the NU and the PSII.

The isolation and possible fragmentation of the Masjumi paves the way for a National Party-NU coalition, either joined by the Communists or dependent on their parliamentary support. The latter arrangement prevailed under the Ali cabinet (1953-55) and apparently has the approval of Sukarno. Sukarno's willingness to see a leftist government return to Indonesia was emphasized on 15 January when he publicly endorsed cooperation among nationalist, Marxist and Moslem elements.

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New Egyptian Constitution

The Egyptian constitution as announced by Prime Minister Nasr on 16 January provides for a powerful executive and postpones decision on the extent of popular participation in the election of a legislature--national assembly--at least until next June. Officially inspired press comment on the document emphasizes that under the new arrangements the president can be called to account by the popular will, but there is nothing in the document to make this possible. The president not only has power to dissolve the national assembly, which is to be elected under laws not yet announced, but the assembly cannot amend the budget without the executive's approval.

Although the announcement of the new constitution allegedly marks the end of the three-year transition from a military to a civilian regime, a further interval of six months apparently has been allowed to dissolve the Revolutionary Command Council (RCC). Nasr presumably

will seek to use this interval to weed out those persons in the council who he feels are not entirely loyal to him, retaining a hard core of faithful henchmen.

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There is nothing in the new constitution to suggest that the Nasr regime intends to relax its control in the foreseeable future. Despite the regime's propaganda, it seems doubtful that the constitution will attract to Nasr much positive popular support beyond what he already has.

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North Africa**ALGERIA**

French military measures remain ineffective as terrorism spreads, although the press reports successes in wiping out rebel bands. At the same time, rifts are widening between moderates and extremists among both the French settlers and the Algerian Moslems.

Liberal French settlers led by Jacques Chevallier, mayor of Algiers, feel that political accommodation to demands of the Algerian Moslems will have to be made before order can be restored. Nevertheless, Governor General Soustelle continues to push his policy of fuller integration of Algeria with France. He is likely to be replaced after the formation of a government in Paris.

Meanwhile, extremist French settlers are demanding drastic measures to suppress the terrorists and rebels.

Chevallier predicts that if the present administrative machinery, which has virtually collapsed, is not replaced by "something realistic" within two months, France will be faced with a general insurrection. Some moderate Moslems give the government only a month in which to act.

Chevallier proposes round-table talks with representatives from all Algerian and French groups, including extremists, to discuss a form of federation within a revised French Union. Such a plan presupposes removal of political inequalities and establishment of a single electoral list. Chevallier is confident that a cease-fire would follow agreement on his proposal. While many aspects of his proposal are still tentative, his

growing influence among both French and Algerian Moslem moderates gives considerable weight to his recommendations.

TUNISIA

Salah ben Youssef, Tunisian extremist nationalist, declared "open war" this week against the moderate Tunisian government and particularly Neo-Destour president Habib Bourghiba, after the government banned his proposed "conference of Bandung powers."

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Thus far, Bourghiba has maintained firm control over the Neo-Destour party apparatus, which Ben Youssef seeks to usurp. The present economic crisis, however, is a major factor in Ben Youssef's favor.

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SPANISH MOROCCO

The Spanish government declared on 13 January that it would grant self-government to Morocco while reserving Spanish rights vis-a-vis France. The ambiguous declaration probably was designed to enable Spain to pose as a sincere advocate of Moroccan aspirations while again serving notice that it expects to share in any concessions France obtains in an independent Morocco. The move may also be a gambit to persuade the Moroccans to press for

Spanish participation in forthcoming negotiations.

Despite these efforts by Madrid to mend political fences in Spanish Morocco, the nationalists are dissatisfied with Spanish policy and probably will continue to press for full independence and unification of all zones of Morocco under the sultan. The nationalists will also consider the recent move to place all political refugees in Spanish Morocco in detention camps an unfriendly act attributable to the 10 January meeting between Spanish high commissioner Garcia-Valino and French resident general Dubois.

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Greek Elections

The formation of a Popular Front on 18 January for the Greek elections gives a Communist-front party its first strong voice in Greek politics in several years. The front may offer a serious challenge to Prime Minister Karamanlis' National Radical Union (ERE) in next month's elections. A less broadly based front decisively defeated the Greek Rally in the municipal elections of November 1954.

In addition to the Communist-front EDA, the front is composed of six center and left-of-center parties, including the Liberal Democratic Union of Sophocles Venizelos, and the Liberal Party whose chief, George Papandreou, has reportedly been promised the premiership if the front wins.

The announcement of the coalition's formation states that EDA would be apportioned 20 of the Popular Front's

parliamentary seats in the event of victory. Although the bargaining which preceded the announcement almost certainly gave each party an agreed total of seats, the front's primary objective is said to be the dissolution of the new parliament and a call for new elections under a changed electoral system. However, the mutual rivalries and animosities among the party leaders, which these negotiations have intensified, may cause defections from the front.

The polarization of Greek politics, indicated by the gap between the ERE at one extreme and the front at the other, is dangerous to Greece, and there are indications that Karamanlis recognizes this. Karamanlis may yet succeed in recreating a strong liberal opposition party under Venizelos

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Such a party presumably would be composed of the

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segment of the non-Communist electorate which opposes Karamanlis and might otherwise abstain from voting or supporting the front. The influential owner of the progovernment newspaper Kathimerini, Eleni Vlachou, says the prime minister's party organization is "sketchy." She estimates he will win between 100 and 180 parliamentary seats.

Since the new parliament will again have 300 seats,

Karamanlis' prospects at present seem to depend on whether he can arouse greater popular support and on how firmly the front maintains its coherence. Should Karamanlis fail to win a majority and the Popular Front form a new government, the possibility would immediately arise that the ultraconservative secret military society IDEA might move to overthrow the government and establish a rightist military dictatorship. [REDACTED]

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Cyprus

Two meetings between Cypriot archbishop Makarios and British governor Harding in the past ten days have increased the possibility that a provisional settlement of the Cyprus issue will be reached in the next few weeks. Harding has been summoned to London for consultation with Prime Minister Eden.

constitute the final British offer. London and Harding have shown no intention of making further concessions, and the renewal of British pressure in Athens suggests they expect Makarios and the Greek government ultimately to accept the formula substantially as is.

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Harding apparently made minor textual revision of the formula as a result of his latest meeting with Makarios. According to the British ambassador in Washington, Harding has recommended that this

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the present stalemate continues may lead Makarios to accept

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Britain's formula soon. His refusal on 13 January to commit himself on using his influence to combat terrorism, however, suggests that he will regard a settlement as a truce during

which his followers can re-organize for the next phase of the enosis campaign--i.e., demands for immediate self-determination upon the establishment of self-government.

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Finnish Presidential Election

Complete returns from the Finnish presidential election of 16-17 January give 88 electoral votes to the Agrarian Party's candidate, Prime Minister Kekkonen, and to the Social Democratic nominee, K. A. Fagerholm, 74 out of a total of 300. Election requires 151 votes, and the next few weeks will see considerable bargaining among the parties in preparation for the electoral college balloting on 15 February..

The 57 votes of the Communist-front SKDL party are likely to go to Kekkonen, whom the Communists regard as the most

acceptable of the non-Communist contenders. Kekkonen would still need to find additional support, however, among the three small bourgeois parties. Prior to the election, two of these parties indicated that they favored Fagerholm rather than Kekkonen.

In the prospective deadlock, the electoral college might turn for a compromise to one of the small non-Communist parties' candidates, or to the 85-year-old President Paasikivi, who has reportedly indicated that he would agree to serve again if a majority of the parties so wished.

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PART III

PATTERNS AND PERSPECTIVES

SOUTHEAST ASIA TREATY ORGANIZATION

With the approach of the annual meeting of the foreign ministers of SEATO's member countries* in Karachi on 6 March, member and nonmember nations in the treaty area are expressing a variety of views, mostly critical, on the organization. Some hope, however, to use SEATO to get more US aid. Communist spokesmen, while ostensibly unconcerned over SEATO's present military status, seem nevertheless worried over its potential.

Philippines-Thailand-Pakistan

Philippine ambassador Romulo recently used the term "paper facade" in describing his personal views of SEATO, stating that it had thus far failed to capture the imagination of Asians. He contrasted it with the impact made by Bulganin's and Khrushchev's trip.

Thailand, while still cooperating fully on organizational matters, is believed to have had its initial hopes disappointed by the organization's slow development. It is in a receptive mood for measures to strengthen SEATO and may derive some encouragement from the military talks it is now conducting with Laos. These talks may ultimately be brought under SEATO auspices.

Pakistan's interest in SEATO has probably diminished somewhat with the advent of the Baghdad pact, which it feels offers a more convenient lever for obtaining economic and military aid.

SEATO members now are discussing organizational changes, such as the establishment of a more effective executive body. There is general agreement among them on the need for this

to invigorate the pact. The Philippines, supported by Pakistan, has proposed greater attention to the economic aspects of the treaty, and New Zealand favors greater economic aid to the Asian members.

United Kingdom

Britain and France have from the start pursued a "go-slow" policy in SEATO. Britain has been reluctant to approve several projects during the past year--a communiqué on the Laotian situation, public reports on SEATO's activities, a public relations office, and a research and analysis center. The British attitude, described by one observer as a desire to keep SEATO "small, unobtrusive and cheap," apparently stems from a determination to avoid provoking Communist China and the Viet Minh, and stirring up antipathies among the nonmember neutralist nations of the treaty area.

On the question of the public reports, for example, Britain's position is that a detailed analysis of the political situation in the Indochina states should be avoided, as the Communists could misrepresent this as a violation of the Geneva agreements.

The United Kingdom is unlikely to become enthusiastic about SEATO unless the present membership is broadened to include the important "neutralist" countries of the area, in particular Burma and Indonesia. There is little prospect that this can be accomplished, in view of their distaste for alliances with Western powers and their careful avoidance of attitudes offensive to the Communists.

France

The French, like the British, are fearful of disturbing the

*AUSTRALIA, FRANCE, NEW ZEALAND, PAKISTAN, THE PHILIPPINES, THAILAND, THE UNITED KINGDOM AND THE UNITED STATES.

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status quo in the area. In addition, they have little taste for assuming additional responsibilities in a part of the world where their influence is rapidly being phased out.

Burma-Indonesia

Burma's premier is opposed to SEATO as a military bloc contributing to world tension, without providing anything of a constructive nature to its underdeveloped Asian participants. In Indonesia, although there has been little comment on SEATO during the past year, there is no segment of opinion which favors a deviation from that country's "independent" foreign policy.

India

Nehru has taken the position that India's association would mean a reversal of its policy of nonalignment, and has said that SEATO's whole approach --diplomacy by threat--is not only wrong but dangerous. During the recent visit to India of Bulganin and Khrushchev, when the Soviet leaders made repeated attacks on the existence of military blocs, Nehru took the occasion to note that India, "in no camp and no military alliance," sought only "an alliance based on good will and co-operation."

Possible New Members

The treaty area as defined in the pact now excludes Nationalist China from membership. Rumors from Taipei that the Philippines might sponsor it for membership at the forthcoming council meeting have been denied

by Philippine foreign minister Garcia. He told the press, however, that Taipei could count on Philippine support if the proposal arose. In the unlikely event that such a move were made, it would be promptly vetoed by other members.

The Chinese Nationalist foreign minister has suggested that his country, without enjoying membership status, might exchange information on anti-Communist measures with SEATO under "US auspices."

Ceylon, among the Colombo powers, would appear to have the earliest potential for membership. It might be inclined to join the pact if assurances of substantial American economic aid were made. The Indochinese states to whom the treaty's benefits are now extended by protocol have varying views on the desirability of SEATO membership.

Indochina States

South Vietnam has been reported eager to join, and President Diem has remarked on the necessity of making SEATO more "organic" to his country. The government views SEATO as its main bulwark against the threat of Viet Minh aggression and believes membership would enhance both this assurance and its own prestige.

Laos has shown a growing interest in SEATO. However, it demonstrated discomfort in response to SEATO initiative last July in studying the Pathet Lao situation. Premier Katay recently told the press that Laos was gratified at being

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under SEATO's protection, and that the question of its future membership would have to be decided by the "big powers" in the light of their interpretation of the Geneva agreements.

Cambodia is even less inclined toward membership now, satisfied as it is with the backing of SEATO at no risk to its development of an outward appearance of neutrality.

The question of future membership for the Indochina states is complicated by the present members' varying interpretations of the letter and spirit of the Geneva agreements. The present opposition of Britain and France precludes acceptance by the required unanimous vote, and their sensitivity to Communist and neutralist opposition in the area is not likely to diminish in the foreseeable future.

that "the Southeast Asia aggressive bloc, headed by the United States," is an "insidious plot of the bellicose imperialist camp." It is pictured as an instrument of the Americans that aims to pit "Asians against Asians" and that encourages South Vietnam to invade the North.

The Viet Minh, backed by Chinese military power, probably has no immediate fear of SEATO's offensive capabilities. The tenor of the Viet Minh statements does, however, indicate considerable frustration at the protocol extending SEATO protection to non-Communist Indochina, which in effect exposes the Viet Minh to immediate international reaction to any military action it might undertake.

Peiping's Tactics

Because the Chinese Communists apparently believe that SEATO, bolstered by American power, is one of several obstacles to further Communist penetration in Southeast Asia, they have adopted various measures to prevent its expansion and to weaken its influence. Through conspicuous conciliatory tactics, the Chinese are continuing their efforts to keep additional states from joining SEATO and to raise doubts concerning the need for the organization.

Thus, while Communist China increases official and unofficial contacts with SEATO and nonmember nations, the regime's propaganda emphasizes that regional fears of Chinese Communist aggression and subversion are groundless and that non-Communism does not necessitate anti-Communism. Peiping has warned, however,

Communist Views

Communist spokesmen, while apparently unworried over SEATO's present military status, seem nevertheless concerned over its potential, and lose no opportunity to distort its aims and activities. The Viet Minh attitude toward SEATO, as reflected in propaganda statements, has from its inception been one of hostility.

SEATO is described as having an aggressive intent and as "a threat to peace in Asia and the rest of the world." Typical is Ho Chi Minh's statement of 1 January

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that it could not tolerate any SEATO involvement in the Pathet Lao stronghold of northern Laos, adjacent to its border.

To take any possible advantage of the desire of neutral nations for a "peaceful" alternative to SEATO, the Chinese Communists have proposed

a Far Eastern "collective peace pact," which would include the United States and Japan. They apparently hoped by this maneuver to embarrass the United States if it refused to join such a pact or prevent the United States from giving Far Eastern nations military aid if it did.

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ECONOMIC DEVELOPMENT PROGRAM IN NORTHWEST CHINA

Peiping's announcement on 29 December that construction will begin in 1956 on a 930-mile railroad from Lanchou to Tsinghai adds new emphasis to the Chinese oil and mineralogical development program initiated on a large scale

during 1955 in Tsinghai Province, bordering on Tibet. Permanent settlement of the remote western province's Tsaidam Basin by thousands of Chinese, who will outnumber the indigenous population, has already begun. The development

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of this province and concurrent Chinese expansion of influence in Northwest China and in neighboring Tibet has increasingly important strategic implications.

Railroad Construction

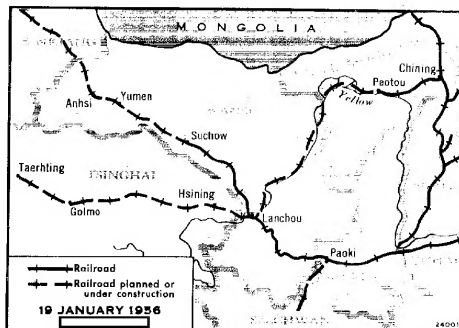
The decision to build the railroad was probably made during late 1955 because no mention of the project was made in the Five-Year Plan published last summer. Such a recent decision would suggest that the Chinese Communists, in their intensive nationwide search for minerals, have found rich resources in the Tsaidam Basin.

Since the completion of the main Chinese east-west Lunghai railway to Lanchou in October 1952, construction on three new lines has necessitated the development of a major rail yard in the growing Lanchou industrial center. Locomotive servicing facilities, freight and passenger stations, and a locomotive repair plant are being built,

along with China's first large modern oil refinery and a new oil-drilling equipment plant.

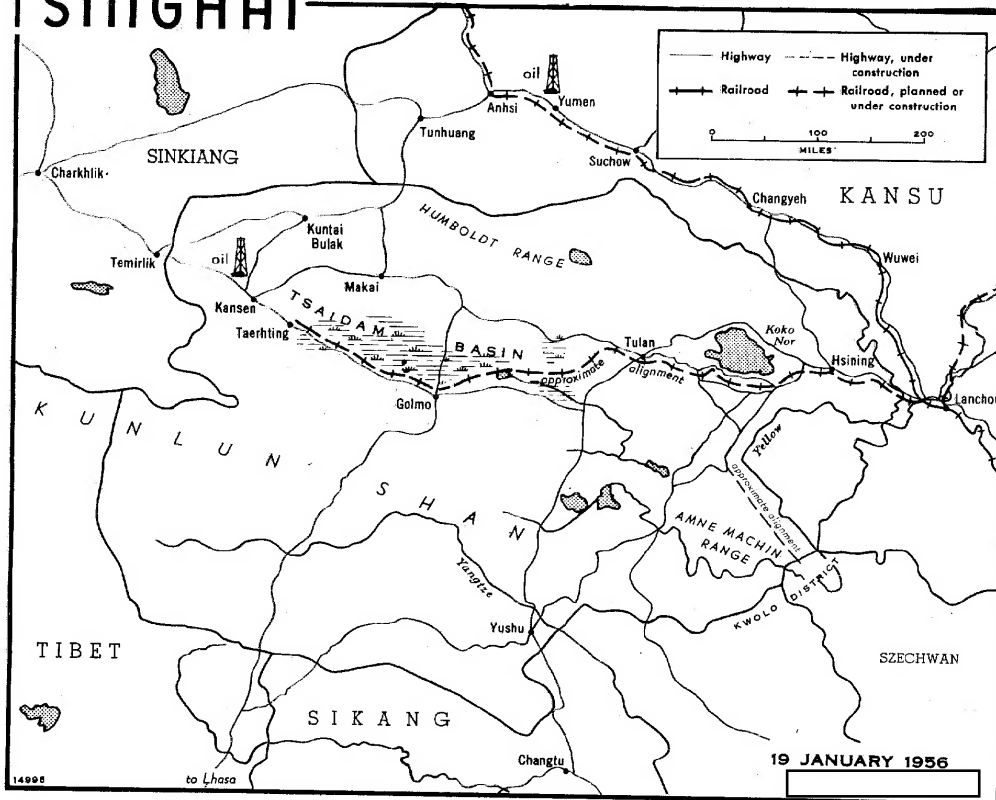
From the Lanchou area, the extension of the Sinkiang railroad to the Yumen oilfields and Sinkiang Province has the highest construction priority. The 1955 construction goal was revised twice and an additional 85 miles of track was laid to the edge of the Yumen oil basin, a full year ahead of schedule.

Construction of a new 680-mile trunk route between Lanchou and Paotou, the future iron and steel center in Inner Mongolia, began late in 1954. Actual tracklaying on a 15-mile



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swampy section south of Paotou--requiring much bridging--began late in 1955 ahead of plan. On the Lanchou end, work on a large Yellow River bridge is half completed and work continues on ten tunnels and 19 additional bridges in the rugged first 50-mile section north of Lanchou. In between, the line is to traverse the Tangkoli desert, a difficult region of shifting sands.

The announcement on 29 December of the survey of the first 100 miles of a new 930-mile Lanchou-Tsinghai railroad terminating in the oil-rich Tsaidam Basin indicates the enormity of the rail construction effort centered at Lanchou. While a number of years will be required for the completion of these various projects, it is apparent that the rich oil and mineral resources in the area have stimulated a significant economic development program, bringing into non-Chinese minority districts large numbers of Chinese settlers, a move which will have lasting economic and political influences on the area.

Highways

Essential to any mineral development program in Tsinghai Province is an adequate system of communications. Construction of the Tsinghai-Tibet trunk highway was pressed in 1954. This road gives direct access to the Tsaidam, passing through the former Tibetan-Mongolian caravansary of Golmo, which has now become a thriving Chinese community.

Existing roads in the area were rebuilt and others newly

constructed in 1954 and 1955 to permit access to the entire rim of the Tsaidam Basin, and to facilitate major supply shipments from neighboring provinces. One such road connects the Yumen oilfield with Golmo by passing through the 16,000-foot Humboldt Range.

The urgency with which the Chinese are pressing this work is indicated by the recent arrival of consignments of over 1,000 trucks at Golmo.

Oil and Mining

The mineralogical program is stated by Peiping to be primarily concerned with oil, although important deposits of coal, lead, borax, manganese, copper, gold, silver, sulphur and iron have also been claimed. Several new mining centers have sprung up, some obviously concerned with oil extraction, and others only mentioned by name without reference to their activities.

Much of the work is being accomplished by forced labor units, comprised of indigenous Moslems, Mongols and Tibetans, as well as Chinese from other parts of the country. A ten-year provincial immigration and reclamation plan has been adopted which provides for a tripling of Tsinghai's population. Peiping claims that during this winter and spring 26,000 people will migrate to the province. Communist statements emphasize the rapid growth of population in western China since 1950; and Sining, Tsinghai's capital, has had a population increase of 140 percent to 120,000.

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